SHRI BRAHM DUTT: We are trying to produce methanol from natural gas.

MR. CHAIRMAN: That is what he is concerned with. Question No. 364.

Study report of the Institute of Cost and Works Accountants on working capital Management of Public sector undertakings

*364. SHRI ATAL BIHARI VAJPAYEE:†
SHRI KAILASH PATI MISHRA:

Will the Minister of INDUSTRY be pleased to state:

(a) whether Government have examined the study report of the Institute of Cost and Works Accountants of India on the Working Capital Management in respect of Public Sector Undertakings, revealing that there was enough scope for reduction of working capital of PSUs; and

(b) if so, what are the findings and recommendations contained in the report and what is Government's response to each one of them?

THE MINISTER OF INDUSTRY (SHRI J. VENGAL RAO): (a) and (b) A statement is laid on the Table of the House.

Statement

The Institute of Cost and Works Accountants of India Undertook a study on the Working Capital Management in a few selected Public Sector Undertakings at the instance of Government and submitted its report in August, 1987. The report has pointed out the common areas of blockade of funds in Public Sector and has pointed out posibility of reduction of working capital of the Public Sector Undertakings covered by the study.

The recommendations contained in the report are annexed. (*See* below).

The report is under consideration of the Government in consultation with the concerned Public Sector Undertakings.

Recommendations and Guidelines

2.1 Enterprises with extreme working capital situations like Neyveli Lignite Corporation (with high working capital to Turnover Ratio) and Enterprises with negative Working Capital Turnover Ratio like Hindustan Fertilizers Corporation and Delhi Transport Corporation should reorient their working capital strategies to bring a balance in working capital structure of the Company. The holding of Sundry Creditors should be srtongly discouraged.

2.2 The companies should adopt Budgetary Control System for Working Capital Control. Over the period proper steps should be taken for Scientific Assessment of Working Capital requirement with specific Targets of reduction of the levels every year.

2.3 There should be a Senior Executive in Finance (Financial Controller and above) primarily responsible for controlling Working Capital at the Corporate Level and Deputy General Manager & above responsible at unit level.

2.4 Specific guidelines identifying the limits and target (both in terms of "Days" consumption|sales and Monetary impact) for every company unitwise must be specified and followed up by the coordinating executive. Unless specific responsibility is assigned to the individuals, the task of Working Capital Control cannot be carried out.

2.5 Every company is to form a small team of 2/3 members under

†The question was actually asked on the floor of the House by Shri Atal Bihari Vajpayee.

senior Financial Executives (incharge of Working Capital Control) who will be co-ordinating and intra-transferring the materials between the units before disposing off any non-moving/surplus material.

2.6 Fast-Slow-Non-moving analysis is to be carried out periodically. Conversion of Revenue Spares to Capital Stock may be decided on the merit of individual cases.

2.7 The Government should establish an Airlines Maintenance Corporation to undertake maintenance of Airlines of both Air India and Indian Airlines in addition to releasing its services to other Foreign Airlines. This will help the corporation holding only one set of spares at a time for a particular type of fleet and will bring substantial reduction in stocks of stores and spares.

2.8 Similar common maintenance organisations may also be formed for Industry Groups with common source|country of imports having requirements of maintenance of Insurance spares and other imported| original designed spares.

2.9 The billing system in every PEs need to be linke dwith delivery of goods/services. In many a case billing process itself causes delay in initiating Sundry Debtors Collection System.

2.10 Intra-Ministry and Inter-Ministry co-ordination team to be formed for prompt settlement of issues related to Working Capital holding of enterprises.

2.11 Credit Policy as assigned by the Management must be adhered to and no deviation be allowed under any circumstances.

2.12 One of the major recommendations of this study is that the entire monitoring of inventory must be done on a continuous basis by a professional Cost Accountant independent of the Unit and be must undertake physical verification of stocks, status of the same and usage in terms of requirements (not in terms of norms). This work can be termed as "INVENTORY AUDIT" and should form part of the effective steps to be taken to reduce inventories in the Units.

2.13 The units should be given more functional liberty regarding their decisions of owning own inventory. But strict norms should be set for every item and effective efforts to be put for reducing such levels/norms every year. This must be closely monitored and followed up at a senior level and followed up at a senior level and reported in the Chairman's Report at the end of every year. The manager/team responsible for inventory reduction may be suitably recognised which must act as an incentive.

SHRI ATAL BIHARI VAJPAYEE: Sir, the report was submitted in August, 1987 and now we are in the latter half of the month of March, 1988. Will the Minister throw some light why the recommendations have not been considered so far and why no final decision has been taken?

SHRI J. VENGAL RAO: The study was entrusted to this team in 1985. They submitted their report in August 1987. It is under the consideration of the Government. Sir, I have given complete and thorough information and laid it on the Table of the House.

SHRI ATAL BIHARI VAJPAYEE: Sir, from the statement, it is clear that the report has pointed out the common areas of blockade of funds in public sector undertakings. Now the study did not cover all the public sector undertakings, but only a few selected public sector undertakings. Has the study revealed the total amount of funds blocked in the public sector? Have they given some rough idea of it?

SHRI J. VENGAL RAO: Sir, the Study Team studied only 17 public sector undertakings out of 225. The study has observed that in most

cases the common areas of blockade of funds were stress of supplies and holding of excess stocks by at least 15% in most enterprises. They studied only 17 undertakings. The total amount blocked was Rs. 2,534 crores.

श्री कैलाश पति मिश्र : सभापति महोदय इंस्टीट्यूट आफ कास्ट एण्ड वर्क्स एकाउंटेंट्स को आवश्यकता सपझकर लाया गया । उन्होने स्टडी की और स्टडी करने के बाद 13 दिनों में अपनी रिपोर्ट दी । अभी जैसे कहा कि यह रिपोर्ट अगस्त 1987 में सबमिट का गयी । आप त' साहित्य के बहुत अच्छे ज्ञाता हैं । महीनो की गणना से हिन्दी में एक कहावत है : नवां नार, दसवां गाय, ग्यारहवां भैंस, बारहवां घोड़ी, तेरहवां गदही" तो सब स्थितियां उपलब्ध होने के बाद जब निर्णय का बच्चा पैदा करना हो तो उसे पैदा करने के लिए भारत सरकार को कितना समय लगाना चाहिए, पार्ट एक ? पार्ट दो, कुछ ऐसी संस्थाओं के अध्ययन करने के संबंध में जो अनुशंसाएं हैं वे सरकार ने पूर्णत: लागू कर दी, अगर सरकारी संस्थाओं की ऐसी रिपोर्ट हो तो कृपया उसे बताने की कोशिश करें ।

SHRI J. VENGAL RAO: Sir, these are public undertakings, not a woman to give birth in nine months. This is public sector. There are 229 public sector undertakings. It requires some time to consider all these aspects.

PROF. C. LAKSHMANNA: Mr. Chairman, Sir, the Minister says that he will take nine months to deliver the baby. Let him take nine months. I have no objection.

SHRI J. VENGAL RAO: I have not said that.

MR. CHAIRMAN: He is not delivering any baby.

SHRI J. VENGAL RAO: I have repudiated it. I have not said that.

PROF. C. LAKSHMANNA: Anyhow, my question is this. There may be 229 public sector undertakings. But the recommendations are not 229. The recommendations are of major significance which do not involve finances. I would like to know what the difficulty was in the Government accepting those like the internal inventory audit. One of the recommendations is with regard to the inventory audit. It is a good recommendation. I do not know why the Government is taking so much of time even to accept such things. Therefore, I would like to ask the Minister how long he will further take even to implement such of those recommendations which will bring about substantive gains by way of preservation. Therefore, I would like to ask him when that will be implemented.

SHRI J. VENGAL RAO: Sir, I have not said that these recommendations are not good. This Study Group has taken more than two-and-a-half years' time for the submission of the report. They submitted it in August last year. It is before the Government under consideration.

SHRI JAGESH DESAI: Sir, is it a fact...

SHRI GHULAM RASOOL MATTO: If conception is in August, May is the due date for delivery after nine months.

SHRI JAGESH DESAI: Mr. Chairman, Sir, is it a fact that a large amount of working capital has been locked up in inventories of the public sector undertakings? In the year 1983-84 the inventory level was of 93 days. To that extent the inventory was there. But again it has gone up to 98 days inventories. I want to know whether there is any recommendation and whether instructions from the B.P.E. given so that you should keep the inventory to this level only. What action has the Government taken to reduce the inventories so that the working capital may increase and whatever amount has been locked up in excess inventories can be reduced?

SHRI J. VENGAL RAO: In reply to Mr. Vajpayee's question I have answered how much amount was locked up. I have answered that it was Rs. 2,534 croes. We want to reduce this amount. It is under consideration. After the study of the report, basing on these recommendations, the Department of Public Enterprises is considering all these recommendations.

SHRI JAGESH DESAI: What I have asked, he has not replied to that at all. What I wanted was as regards the inventory. It has gone up now upto 98 per cent. Stocks are there. Previously it was 93 per cent. So, I asked the question in regard to the large amounts that have been locked up in these inventories. He is not replying to that question at all.

MR. CHAIRMAN: It is under consideration.

SHRI J. VENGAL RAO: I have replied to that. The whole amount comes to more than Rs. 2,500 crores. I entirely agree with the hon. Member and I will certainly consider how to reduce the amount.

SHRI N. E. BALARAM: Sir, he does not give any answer satisfactorily. So, we can pass on to next question. To all the questions that have been put to him today, he said all these questions are under consideration. So, why should we ask him any further? Kindly pass on to the next question. Why should we waste time?

MR. CHAIRMAN: Mr. Chaturanan Mishra. Your leader says, no more questions.

SHRI N E. BALARAM: No more questions to the Industries Minister. It is no use.

MR. CHAIRMAN: Let Mr. Chaturanan Mishra ask.

SHRI CHATURANAN MISHRA: माननीय सभापति जी, कमेटी ने यह सिफारिश की थी— There should be an inbuilt system to check the disproportionate use of capital. एक इन-बिल्ट सिस्टम का उसने रेकोमेंडेशन किया— which will be applicable to all the public sector undertakings, if this system is introduced. I would like to know from the Minister if he will consider this aspect of the recommendations and introduce it in a time-bound programme. Will he agree to this?

SHRI J. VENGAL RAO: As for the recommendations of this Committee are concerned, we asked all the 225 public undertakings to furnish the information immediately. After that we will certainly take a decision.

National Gas Grid

*365. SHRI LAL K. ADVANI:
SHRI ASHWANI KUMAR:†

Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether Government's attention has been drawn to the news-item which appeared in the Statesman dated the 19th December 1987, to the effect that the proposal of experts for a National Gas Grid has been pending Government's clearance for about three years; and

(b) if so, what are the details of the project?

THE MINISTER OF STATE OF THE MINISTRY OF PETROLEUM AND NATURAL GAS (SHRI BRAHM DUTT): (a) and (b) Yes, Sir. However, the proposal of ONGC

†The question was actually asked on the floor of the House by Shri Ashwani Kumar.